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TAGS: [EINV](#) [ECPS](#) [TU](#)
SUBJECT: 3G AUCTION CANCELED; VODAFONE DECRIES UNFAIR
COMPETITION

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¶1. Summary: Atilla Vidai, Vodafone Turkey CEO, argued the September 19 decision by the Turkish Telecommunications Board to cancel the 3G auction in which only one of the three wireless providers (Turkcell) currently operating in the Turkish market chose to bid was proof that the Turkish mobile phone market needed significant reform prior to the introduction of 3G wireless service. Vidai explained that as far as the technical requirements for 3G were concerned, Turkey was completely ready; however market conditions were still not ripe for the introduction of 3G. Vidai argued that once reforms are complete Vodafone is prepared to make significant investments to bring 3G to the small sector of the Turkish market that could benefit from the new technology. End Summary.

¶2. On September 19, the Turkish Telecommunications Board announced that the September 7 3G wireless auction in which only Turkcell had submitted a bid had been canceled. Vodafone, the second largest mobile telephone service provider in Turkey with 24% of the market, and Avea the third largest service provider with 16% did not participate in the auction. Vodafone CEO Atilla Vidai claimed that Turkcell's consistent anti-competitive behavior was the reason for Vodafone's deciding not to bid. According to Vidai, although Vodafone was not the initial 3G developer it was now the world leader in the technology and was thus the logical company to bring 3G to the Turkish market. (3G is a wide area cellular telephone network incorporating high-speed internet access and video telephony; 4G, also known as mobile WiMAX, is a higher frequency data technology with scant applicability for voice.) Vidai acknowledged that 3G's data applications would hold little appeal for the mass market, but argued that the small segment of the Turkish market likely to sign on for 3G would be profitable for his company.

¶3. Vidai agreed that later entrants generally find it difficult to wrest market share away from the initial technology provider in any wireless market and that neither Vodafone (formerly Telsim) nor Avea was a strong competitor until very recently. However, he argued that Turkcell's approximately 60% share of the Turkish market despite two other wireless providers actively in the market was unprecedented worldwide. He ascribed Turkcell's ability to retain market share to consistent anti-competitive behavior, in particular Turkcell's unwillingness to negotiate number portability. He implied Turkcell, which is partially government-owned, benefited from the lack of action by competition authorities against behavior which would be unacceptable in the United States or Europe.

¶4. Vidai singled out the lack of number portability in the Turkish mobile phone market as well as 'predatory pricing' by

Turkcell as reasons for why Vodafone (and Avea) were unable to compete on a level playing field with Turkcell. Describing Turkcell's tariff structure as an "abuse of market power" Vidai alleged that Turkcell sold certain within-network (i.e. Turkcell to Turkcell) calls below the 14 cents/minute cost of providing the service and recouped the difference by setting the fee for out of network calls 800% higher than within-network calls. Turkcell pre-paid cards are sold in units called "kontors." A kontor costs approximately 12 cents. In the cheapest Turkcell package, which is marketed to students, one kontor buys 10 minutes of within-network calling (equivalent to a fee of 1.2 cents/minute) while 8 kontors are required for each minute of any out-of-network call (approximately 94 cents/minute.)

15. So far Vodafone has opted to attempt to negotiate with Turkcell rather than bringing a case to the Competition Board, however Vidai cautioned that time and options are running out and that Vodafone will soon have no choice but to seek redress through the regulatory authorities.
WIENER